



# Arkansas Rice Update

Dr. Jarrod Hardke & Scott Stiles

Oct. 20, 2016 No. 2016-28

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## Crop Progress

Unfortunately only negative yield reports continued to flow in over the past month. The take home message is hybrids were 0-20 bu/acre below expectation and similar to 2015, while varieties were 20-40+ bu/acre below expectation and further below 2015.

Beyond the yield issues, concerns have turned toward milling yield and quality. Milling yields have been notably off this year – low test weights are an indicator of thinner grain that is more prone to breakage – and any grains that sprouted in the August rains would contribute to lower milling yields.

In the later rice harvested increases in kernel smut and false smut were prevalent. While this isn't necessarily unusual, these diseases notoriously show up in later-planted rice, the way and the degree to which they showed up were odd. False smut in particular showed up extremely late and in a number of cases due to wet conditions formed on the outside of kernels instead of taking the place of the kernel as they usually do.

And we can't forget our good friend the rice stink bug. He was persistent until the bitter end this year. For many it was a surprise to still be battling this pest after draining, but battle we did. And some clearly decided to let it go and stop spraying – the damage levels are very high where this occurred. Put simply – if a pest is there he's eating something. If there aren't many kernels to feed on they'll be concentrated on those. That's what happened here.

Unfortunately there aren't many positives to add in the market update. See **Table 1** for the updated state yield and production estimates compared to the past several years. Note that the production estimate for 2016 has now fallen below that of 2010 and 2014.

**Table 1. Arkansas Rice Yield and Production, 2010-2016 (USDA-NASS).**

Year	Yield†	Acres	Production
2016*	160.0	1,521,000	243,360,000
2015	163.1	1,286,000	209,746,600
2014	168.0	1,480,000	248,640,000
2013	168.0	1,070,000	179,760,000
2012	166.2	1,285,000	213,567,000
2011	150.4	1,154,000	173,561,600
2010	144.0	1,785,000	257,040,000

† Yield in bu/acre. \*Current estimates for 2016.

## Market Update

### USDA October 12 WASDE:

As expected by many in the rice trade the USDA continued to reduce total long-grain production in October. This month's Crop Production and supply/demand reports revealed a production cut of 863,000 hundredweight, bringing the 2016 total down to 177 million hundredweight (mcwt.). Arkansas was the only state in which the USDA lowered its production estimate. However, much of this reduction was offset by production increases in California, Texas and Mississippi. The following table details the month-to-month changes in the U.S. long-grain supply and usage.

**Table 2. U.S. Long Grain Rice Supply/Demand (USDA-NASS).**

million hundredweight	2015/16 Oct.	2016/17 Sept.	2016/17 Oct.
Beginning Stocks	26.5	22.7	22.7
Production	133.0	177.9	177.0
<b>Total Supply</b>	<b>180.4</b>	<b>221.1</b>	<b>220.2</b>
Domestic Use	81.1	103.0	103.0
Exports	76.5	81.0	79.0
<b>Total Demand</b>	<b>157.7</b>	<b>184.0</b>	<b>182.0</b>
Ending Stocks	22.7	37.1	38.2
Avg. Farm Price (\$/cwt.)	\$11.10	\$9.20 – \$10.20	\$9.20 – \$10.20
Avg. Farm Price (\$/bu.)	\$5.00	\$4.14 – \$4.59	\$4.14 – \$4.59

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In addition to lowering its' October production estimate, USDA also reduced 2016 long-grain exports. Milled exports were revised lower by 2 mcwt., bringing total long-grain exports down to 79 mcwt. from 81 million last month. At present, the USDA has long-grain exports increasing by 3 percent year-over-year. However, both milled and rough export sales continue to run well behind year ago levels.

With long-grain production declining almost 900,000 hundredweight and exports being reduced by 2 mcwt., ending stocks increased from the prior month by 1.1 mcwt. to 38.2 million, compared to 37.1 million last month. The current ending stocks estimate represents a 68% percent increase over last year and the highest carry-over since the 1985/86 marketing year. The USDA made no changes this month to its' 2016 long-grain price outlook. Average long-grain producer prices are expected to be in the range of \$4.14 to \$4.59 per bushel.

As of October 12, the USDA is projecting a 2015 marketing year average price for long grain of \$11.10/cwt. or \$4.995/bu. A projected PLC Payment Rate can be determined by subtracting the \$4.995/bu. marketing year average price from the PLC Reference Price of \$6.30/bu. This equals a projected PLC Payment Rate of \$1.305 per bushel. The same method can be used to calculate the payment rate for southern medium grain, which is projected at \$1.215 per bushel.

**Table 3. 2015 Projected Rice PLC Payment Rates (as of Oct. 12, 2016).**

	A	B	C	(A – higher of B or C)
Unit: \$/bu.	<b>Reference Price</b>	<b>Loan Rate</b>	<b>Marketing Year Avg. Price</b>	<b>Projected PLC Payment Rate</b>
Long-Grain	\$6.30	\$2.925	\$4.995	\$1.305
Medium-Grain	\$6.30	\$2.925	\$5.085	\$1.215

The USDA Farm Service Agency recently announced that PLC and ARC payments for the 2015 marketing year will be reduced by 6.8% (due to the 2011 Budget Control Act) as was the case for the 2014 marketing year payments.

Projected 2015 and 2016 PLC payment rates are updated and posted monthly on the Farm Service Agency's "[ARC/PLC Program Data](#)" website. Look under the heading "**Program Year 2015 Data**" for "**Projected and Final 2015 PLC Payment Rates**". The USDA is expected to announce the final marketing year prices for long grain and medium grain rice on October 31<sup>st</sup>. Any payments would then be made in early November.

An Excel spreadsheet with 2014 and 2015 ARC-County payments can be found at this link [ARC/PLC Program](#) under the heading "**Other Data \*Updated 10/12/2016\***". Recall that ARC and PLC payments are made on 85% of base acres. Per acre payments shown in the spreadsheet have not been reduced by 6.8 percent.

**Table 4. USDA Report Calendar.**

Date	Report
10-20	FAS Export Sales (7:30 a.m.)
10-24	NASS Crop Progress (3:00 p.m.)
10-27	FAS Export Sales (7:30 a.m.)
10-28	NASS Rice Stocks (11:00 a.m.)
10-31	NASS Agricultural Prices (2:00 p.m.)
10-31	NASS Crop Progress (3:00 p.m.)

## USDA-NASS Crop Progress:

Rice harvest in the southern states is nearly complete. Harvest remains active in California. As of October 16<sup>th</sup>, Arkansas' rice harvest was 98 percent complete. The U.S. harvest overall was 93 percent finished compared to the 5-year average of 86 percent.

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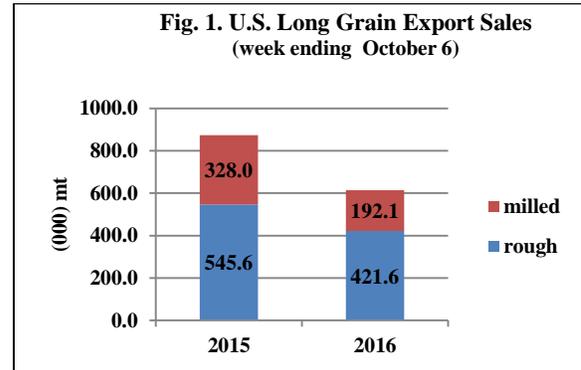


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**Table 5. USDA-NASS Crop Progress: Rice Harvested (%).**

Week ending October 16, 2016				
	10/16/15	10/9/16	10/16/16	5-yr avg.
Arkansas	95	96	98	90
California	83	54	72	62
Louisiana	100	100	100	100
Mississippi	96	90	94	93
Missouri	89	91	95	82
Texas	100	100	100	100
6 states	93	89	93	86



Source: USDA-FAS.

## USDA-FAS Long-Grain Export Sales:

### • Rough Rice

Net Export Sales for the week ending October 6<sup>th</sup> were 4,175 metric tons (MT); down from the previous week's total of 10,552 metric tons. Sales totaling 22,072 MT were made to Costa Rica, Honduras, Mexico and Nicaragua. However, most of this business was offset by a cancellation of 17,270 MT from an unknown origin. As of October 6, rough rice export sales total 421,590 metric tons. Long-grain rough rice export sales are running 23% behind last year's pace at this time.

### • Milled Rice

Long-grain milled sales for the week ending October 6<sup>th</sup> totaled 16,939 metric tons (MT). With nine markets buying long-grain milled rice, sales last week to Canada and Haiti accounted for 98% of total sales. Haiti accounts for 58% of long-grain milled rice sales so far in the 2016 marketing year. As of October 6<sup>th</sup>, milled export sales total 192,074 metric tons. Milled export sales are running 41% behind last year's pace at this time.

November rice futures started this week with solid gains on Monday of 24 ½ cents to close at \$10.40 ½. The \$10.40 level is proving to be key resistance so far this month. The futures market does however remain in an up-trending channel. This appeared to be in jeopardy following the October 12 supply/demand report as the USDA perhaps did not cut production as much as anticipated. Most bearish was the fact the production cut was far more than offset by a reduction in exports.

Since trading to a low of \$9.35 on September 1, the November contract has since gone a \$1.05 rally. Much of this price strength was built on anticipation that USDA would be reducing the size of the 2016 crop. The factor that may ultimately limit the current price rally is export sales. As mentioned earlier, weekly export sales continue to lag last year's pace by a wide margin. Much of the 2016 marketing year lies ahead with 43 weeks still to report, but long-grain milled sales are lagging 41% behind last year's pace. To overcome the current year-over-year sales deficit the U.S. will need to find milled rice buying interest from the traditional "large volume" origins in the Middle East.

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## CBOT November 2016 Rice Futures, Daily.



### [Rough Rice Futures Quotes](#)

From a technical perspective, the November contract remains in an up-trend and has initial support at the \$10.16 to \$10.20 range. Above \$10.40, heavy resistance is likely to be found at the August daily highs near \$10.60. A 38% retracement of the correction (ie. down-move) from the May 18<sup>th</sup> high to the September 1 low would be \$10.56.

Rough rice basis around eastern Arkansas basis remains near 40 cents per cwt. under futures for October delivery to mills. Basis for delivery to dryers is generally in the range of 65 to 70 cents per cwt. under futures.

## Additional Information

Arkansas Rice Updates are published periodically to provide timely information and recommendations for rice production in Arkansas. If you would like to be added to this email list, please send your request to [rice@uaex.edu](mailto:rice@uaex.edu).

This information will also be posted to the Arkansas Row Crops blog (<http://www.arkansas-crops.com/>) where additional information from Extension specialists can be found.

More information on rice production, including access to all publications and reports, can be found at <http://www.uaex.edu/rice>.

## Acknowledgements

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